GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:100
ANSWERED ON:17.08.2007
COMPETITION IN POWER SECTOR
Reddy Shri Magunta Sreenivasulu;Sarvey Shri Sathyanarayana

Will the Minister of POWER be pleased to state:

(a) whether the country is facing a huge power shortage now-a-days;

(b) if so, the power shortage in States as compared to their demand, State-wise, as on date;

(c) whether the Government proposes to make the power sector more competitive for private players for not only bringing in efficiency in generation and transmission of power but also for the better choice of the consumers in terms of lesser cost;

(d) if so, the details thereof; and

(e) the concrete measures taken/proposed to be taken by the Government in this regard?

Answer

THE MINISTER OF POWER (SHRI SUSHILKUMAR SHINDE)

(a) to (e) : A Statement is laid on the Table of the House.

STATEMENT
STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (e) OF STARRED QUESTION NO. 100 TO BE ANSWERED IN THE LOK SABHA ON 17.08.2007 REGARDING COMPETITION IN POWER SECTOR.

(a) & (b) : There is overall shortage of electricity in the country. The shortages vary from state to state and season to season as well as time of the day depending on demand and supply of power. During the current year (April to July, 2007), the overall energy and peak shortage in the country was of the order of 7.9% and 13.4% respectively. The details of State-wise actual power supply position during July, 2007 and April to July, 2007 are annexed.

(c) to (e) : Promoting competition in the electricity sector is one of the objectives of the Electricity Act, 2003.

The Act requires the appropriate Regulatory Commission to adopt the tariff if such tariff has been determined through a transparent process of bidding in accordance with the guidelines issued by the Central Government. The Central Government has already issued Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensees. Competitive procurement of electricity by the distribution licensees is expected to reduce the overall cost of procurement of power and facilitate development of power markets. The Central Government has also issued the guidelines on `Tariff based Competitive- bidding Guidelines for Transmission Service`.

The Tariff Policy also stipulates that future requirement of power by distribution licensees be procured competitively. The relevant extract of the policy is reproduced below:-

`All future requirement of power should be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a State controlled/owned company as an identified developer and where regulators will need to resort to tariff determination based on norms provided that expansion of generating capacity by private developers for this purpose would be restricted to one time addition of not more than 50% of the existing capacity. Even for the Public Sector projects, tariff of all new generation and transmission projects should be decided on the basis of competitive bidding after a period of five years or when the Regulatory Commission is satisfied that the situation is ripe to introduce such competition.`

The Electricity Act, 2003 requires the State Commissions to provide by regulations open access to all consumers who require a supply of electricity where the maximum power to be made available at any time exceeds one megawatt, by 27th January, 2009. The Tariff Policy issued by the Central Government under the provisions of the Act stipulates that in whichever state the situation so permits, the Regulatory Commissions could introduce such open access even prior to this deadline.

The Act also provides for grant of a licence to two or more persons for distribution of electricity through their own distribution system within the same area.